



Secure Choice Board Presentation

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Summary

- ◉ Illinois State Board of Investment (ISBI)
- ◉ Current Expenses
- ◉ Partnership
- ◉ Secure Choice Investment Perspective

Secure Choice and ISBI

- Secure Choice was created to provide private sector workers with retirement savings program
- By statute, the Secure Choice Board may retain ISBI
- ISBI's focus would be on costs, transparency, simplicity, and partnering with best in class service providers

Secure Choice and ISBI

- This presentation represents the preliminary thoughts of ISBI staff, based on ISBI's understanding of statute
- Secure Choice is new and lacks precedent
- If the Secure Choice Board chooses to continue discussion with ISBI, formally or informally, ISBI would expect to work collaboratively
- ISBI's thinking, inevitably, would evolve

Illinois State Board of Investment (ISBI)

- Created in 1969
- Independent fiduciary for Pension Assets of SERS, JRS, GARS, and Illinois Power Agency
 - \$15.1 Billion in DB assets under management
- Independent fiduciary of the State of Illinois Deferred Compensation Plan (the “Plan”)
 - \$4.1 Billion in DC assets under management
- Nine Member Board
 - 5 Appointed by the Governor
 - 4 By Statute - Chairs of SERS, JRS, and GARS, and State Treasurer

State of Illinois Deferred Compensation Plan

- \$4.1 Billion in defined contribution assets
- 52,000 participants
- Investment Consultant
- Recordkeeper (T. Rowe Price)
- Administrator (Central Management Services)
- Custodian (Northern Trust)

State of Illinois Deferred Compensation Plan

Investment Consultant

- ◉ Investment Policy Analysis and Review
- ◉ Quarterly Investment Reporting
- ◉ Investment Option Due Diligence
- ◉ Conduct Investment Option Searches
- ◉ Review of Recordkeeper



State of Illinois Deferred Compensation Plan Recordkeeper

- ◉ Enrollment
- ◉ Contribution, Distribution and Investment Processing
- ◉ Reporting
- ◉ Data Maintenance
- ◉ Participant Access Systems
- ◉ Compliance Monitoring
- ◉ Loan Program
- ◉ Participant Statements and Communications
- ◉ Participant Education

State of Illinois Deferred Compensation Plan

CMS

- Initial Enrollment Process
- Reconcile and Wire contributions to recordkeeper
- Process Power of Attorney and Qualified Domestic Relations Order
- Determine Catch-up eligibility, stop over deferrals, process rollovers
- Accept Beneficiary Forms
- Administer second stage of Hardship

State of Illinois Deferred Compensation Plan Investments

Levels of Participant Engagement

Lowest —————→ Highest

Tier I

Target Date/Dynamic
Asset Allocation Funds

Tier II

Passive Core Options

Tier III

Active Core Options

**54.0% of the Plan Participants assets are invested in
Target Date Funds**

State of Illinois Deferred Compensation Plan Investments – Target Date Funds

- Diversification
- Strategic asset allocation
- More conservative closer to target date
- Allows for appropriate level of overall risk
- Better stewardship practices
- Stronger risk-adjusted performance
- Low-Cost Options Available
- Department of Labor – Qualified Default Investment Option

State of Illinois Deferred Compensation Plan Expenses

- Investment Management fees – 37 bps
- Investment Consultant – less than 1 bps
- Recordkeeper – 4 bps
- Custodian – less than 1 bps
- Total Plan Expenses - 41 bps
- Participant Fee - \$35 annual fee

Statutory Authority

Secure Choice and ISBI

- “Moneys in the Fund may be invested or reinvested by the State Treasurer’s Office or may be invested in whole or in part under contract with the State Board of Investment, private investment managers, or both, as selected by the Board”

820 ILCS 80 at Sec. 40 (a)

Approach to Secure Choice

- ◉ Manage Expenses
- ◉ Embrace Simplicity
- ◉ Maximize Transparency
- ◉ Partner with Reliable, Recognizable Providers

Operations in Which ISBI Could Participate

- Evaluation, selection, and monitoring of investment options
- Identification and selection of investment service providers
 - Record keeper
 - Investment consultant

Initially, Offer Only Target Date Funds

- Simple solution to retirement challenge
- Professional asset allocation
- Fully transparent
- Auto- Enrollment need for Qualified Default Investment option
- Estimated investment expenses of <10 bps

Other Critical Operational Components

- Legal Counsel
 - Recordkeeper
 - Investment Consultant
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- *Best In Class Providers will be Mission Critical*

Conclusion

- ISBI has extensive experience operating a sizable defined contribution platform
- Working with Secure Choice, ISBI's focus would be on
 - Fees
 - Transparency
 - Simplicity
- Commitment should be made to identifying best possible service providers